

Testimony of John Adams, Brigadier General, U.S. Army (Retired)
President, Guardian Six LLC
Hearing Regarding Section 232 National Security Investigation of Imports of Steel
May 24, 2017

Thank you for the opportunity to share my views on the effects on the national security of imports of steel.

I applaud the administration's initiation of this Section 232 national security investigation of this issue. As a thirty-year veteran of the U.S. Army, with a background in strategy and intelligence, and as a lead author of the 2013 study of the U.S. defense industrial base, *Remaking American Security*, my experience and research convince me that imports of cheap and subsidized steel from our strategic competitors put our national security at risk by eroding the U.S. steel industry's position as a fundamental building block of our national security infrastructure. I therefore advocate concerted action at all levels of government to preserve a strong domestic steel industry.

Our nation's security rests on a military equipped with the technology, weapons systems, and platforms needed to protect our nation supplemented with logistical and critical infrastructure. Despite technological advances in materials, notably composites and ceramics, steel remains irreplaceable to the U.S. military. From nuclear-powered submarines to aircraft carriers, and from main battle tanks to mine-resistant vehicles, steel shields our nation and the lives of our warriors. A healthy domestic steel sector – including the many small and specialty manufacturers that depend on steel – is critical to sustaining the quantity and quality of capabilities needed to preserve our national security.

The glut of low-priced steel in the world market, resulting in large part from China's and other potentially hostile trading partners' actions, undermines the ability of American-made steel to fairly compete in the marketplace. Left unchecked, the current steel market situation will continue to result in plant closures, mass layoffs, and the loss of key technology and manufacturing know-how. In this insecure world, the need to build more defense platforms in a hurry may very well come sooner than we would like. As China expands its global presence, a situation in which China exercises market control over global steel is all-the-more alarming.

There is more to this issue than "lowest cost is best." While low prices for steel can reduce defense acquisition costs, irreparable damage to our domestic steel industry and loss of our steelmaking capacity will increase defense industrial base dependency on China and other potentially hostile foreign governments.

It is a myth that steel will always be available for U.S. defense requirements. Domestic steelmakers' health depends on the health of their commercial sectors. Conversely, the overall health of domestic steelmakers is not contingent on defense production. If the commercial market is severely disrupted or unprofitable, the defense production sector cannot survive.

Reliance on foreign sources of steel, especially from strategic competitors, results in uncertain supply for critical national requirements, especially in a crisis. In 2004, on temporary duty in Iraq, I witnessed our warriors apply jury-rigged armor plates – often sent by their families – to their vehicles to protect against IEDs. When DoD asked foreign suppliers to "uparmor" American vehicles, they put our requirements in their months' long queue for orders. Only American steel companies – subject to "rated orders" scheduled in weeks rather than months – supplied armor plate for the uparmored vehicles that protected our warriors from IEDs.

We must take urgent action to address these risks.

- Take aggressive action to safeguard America's economic and national security by recommending remedies to the President that will yield a meaningful opportunity for U.S. producers to recapture lost market share and rebuild broken supply chains.
- Take a broad view of steel products that are necessary for our national security. While the first products that come to mind are ships and tanks, we must also consider and include steel used to construct America's logistical and critical infrastructure – everything from our electrical grid and transformers to rail networks and underground water systems. A strong and readily-available supply of iron and steel products is vital to America's economic and national security.
- Focus on the entire supply chain, including everything from iron to semi-finished steel products in your recommendations to the President. According to SteelOnTheNet.com, a semi-finished steel slab constitutes roughly 90 percent of the cost of a finished hot-rolled steel product. Thus, allowing for the importation of foreign slabs, despite a 232 safeguard remedy, could undermine the goal of stabilizing and protecting steel production that is vital to our national security. The same goes for upstream raw materials production of iron. We must ensure that the entire supply chain of iron and steelmaking in the United States benefits from actions arising from this investigation.
- We must establish verifiable and enforceable mechanisms for the elimination of global overcapacity in the steel sector, and implement rules to counter anti-competitive behavior of state-owned entities, especially in China.
- We must proactively apply our trade enforcement laws to provide relief from market distortions before plants are forced to close and capacity is irreparably lost.
- We must rigorously apply domestic sourcing policies in government procurement of steel.

Our goal is to maximize domestic capabilities combined with supplies from unquestionably reliable third parties. The one supplier in whom I have complete confidence is Canada. Not only do we currently have a steel surplus with Canada, but we share a border and have synergistic strategic, economic, and national security interests. However, treating Canada as a unique partner under any Section 232 relief measures requires that Canada also strengthen and align its trade enforcement efforts with ours. Circumvention and evasion of U.S. trade laws and actions through Canada is unacceptable.

Again, I applaud the administration's initiation of this Section 232 investigation of the effects of imports of steel from a national security perspective, and as indicated, to recommend actions to adjust steel imports so that they will not put our national security at risk. We need concerted action to address the risks to our domestic steelmaking capacity before we lose it, especially to our most dangerous long-term strategic competitors, and to ensure that the U.S. steel industry remains a strong and ready foundation of our national security.